



## RESOLUTION

### RELATING TO REAL PROPERTY TAX COMPROMISES.

WHEREAS, Ordinance 13-33 created a Residential A general class ("Residential A") for the purpose of real property taxation; and

WHEREAS, per Section 8-7.1, Revised Ordinances of Honolulu 1990, as amended ("ROH"), Residential A includes real property with an assessed value of \$1,000,000 or more that does not have a home exemption; and

WHEREAS, for the tax year 2014-2015, more than 7,000 properties were reclassified from Residential to Residential A; and

WHEREAS, through Resolution 14-53, CD1, the Council adopted real property tax rates for tax year 2014-2015, with a Residential rate of \$3.50 per \$1,000 of assessed value and a Residential A rate of \$6.00 per \$1,000 of assessed value; and

WHEREAS, many owners of these reclassified properties who would qualify for a home exemption were unaware of the new class and 71 percent higher tax rate and did not meet the September 30, 2013 deadline to file a home exemption; and

WHEREAS, the reclassification resulted in substantial tax increases for these affected property owners and many are financially unprepared to pay the large increase in their property tax; and

WHEREAS, in acknowledgement of the ongoing financial hardship being endured by owners of residential property that qualifies for a home exemption, but who are being taxed at the Residential A tax rate, the Council believes it is imperative that these property owners be afforded one-time relief and have their tax liability compromised to the Residential rate for the 2014-2015 tax year; and

WHEREAS, Section 8-1.3(l), ROH provides that the Director of Budget and Fiscal Services may compromise a claim relating to real property taxation not exceeding \$500.00 with the approval of the Corporation Counsel, and may compromise a claim exceeding \$500.00 with the approval of Council; and

WHEREAS, Section 2-3.1(d), ROH, provides that Corporation Counsel has the power to compromise claims in favor of or against the City not requiring payment in excess of \$5,000.00 or to compromise claims in excess of \$5,000.00 with approval of the Council under Section 2-3.4(a), ROH; now, therefore,



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BE IT RESOLVED by the Council of the City and County of Honolulu that for tax year 2014-2015 only:

1. Owners of parcels that were reclassified from Residential to Residential A are hereby granted a reduction in their tax liability by compromise under Section 8-1.3(l), ROH to the amount that would have been owed if the property had been classified Residential at the tax rate of \$3.50 per \$1,000 of assessed value, provided the owner:
  - (a) Certifies by September 30, 2014 that the parcel would have qualified for a home exemption on October 1, 2013, or on the date of purchase if the parcel was purchased after October 1, 2013, and will continuously qualify for a home exemption through September 30, 2015;
  - (b) Files a home exemption by September 30, 2014; and
  - (c) Applies for a tax compromise by September 30, 2014.
2. If the application is approved, then the tax liability pertaining to that application will be compromised to the Residential tax rate. A new tax bill with a new due date for any outstanding balance will be issued. No penalty or interest will be levied if the first-half installment payment is paid in full by the due date stated in the new tax bill. Any overpayment on the first-half installment payment that was due on or before August 20, 2014 will be resolved by credit or refund through the claims process under Section 2-3.1(d) or 2-3.4(a), ROH. Interest due on such overpayment will be at a rate determined by the Director of Budget and Fiscal Services based on the average interest rate earned on City investments in the general fund during the previous fiscal year and accruing from the date the first installment was due on August 20, 2014 to September 30, 2014. Overpayments will be applied as a credit to taxes owed for the parcel for future tax years unless a written request for refund is made by the owner on or before September 30, 2014.
3. If the application is disapproved, then the tax liability pertaining to that application will not be compromised to the Residential tax rate. Any outstanding balance on the first-half installment payment that was due on or before August 20, 2014 will be due in full, provided that no penalty or interest will be levied if paid within 30 days after the date of the notice of disapproval of the application for tax compromise.



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4. The compromise of individual claims provided herein that exceed payment by the City of \$5,000.00 by refund or credit, with interest, are hereby approved by the Council under Section 2-3.4(a), ROH in the amount paid by the owner in excess of the taxes due for the 2014-2015 tax year, as compromised to the Residential tax rate.

BE IT FINALLY RESOLVED that a copy of this Resolution be transmitted to the Director of Budget and Fiscal Services.

INTRODUCED BY:

DATE OF INTRODUCTION:

**JUL 17 2014**

Honolulu, Hawaii

Councilmembers